

Message Text

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C O R R E C T E D C O P Y (PARA TWO SUB PARA (A))

E.O. 11652: N/A

TAGS: MARR NATO

SUBJ: NATO INTERNATIONAL COMPETITIVE BIDDING-PROTECTION AGAINST
EXCHANGE RISKS

REF: A. STATE 136248, 251754Z JUN 74; B. AC/4-D/2261(FINAL)

BEGIN SUMMARY. PROTRACTED NEGOTIATIONS IN INFRASTRUCTURE COMMITTEE
HAVE RESULTED IN GENERAL ACCEPTANCE OF PRINCIPLE EMBODIED IN US
TREASURY LANGUAGE PROPOSED IN REF A. SEVERAL ALLIES HAVE PROPOSED
MODIFICATION IN WORDING FOR CLARITY. INTERNATIONAL STAFF HAS
NOW CIRCULATED NEW VERSION (QUOTED BELOW) FOR COMMITTEE APPROVAL.
ACTION REQUESTED:
AGREEMENT THAT INTERNATIONAL STAFF PROPOSED LANGUAGE ACCOMPLISHES
US PURPOSE, OR PROPOSED US MODIFICATIONS. END SUMMARY.

1. NATO INTERNATIONAL STAFF PROPOSES FOLLOWING AS ANNEX II TO
AC/4-D/2261(FINAL).

BEGIN TEXT:

PROCEDURE TO PREVENT LOSSES OR GAINS BY CONTRACTORS
DUE TO CHANGES IN EXCHANGE RATES
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WHEN HOST COUNTRIES DO NOT PERMIT CONTRACTS TO BE
EXPRESSED IN FOREIGN CURRENCIES THE PROCEDURE AS BELOW WILL BE
FOLLOWED IN ORDER TO PREVENT LOSSES OR GAINS BY CONTRACTORS
DUE TO THE EFFECTS OF OFFICIAL DEVALUATION, REVALUATION OR

OTHER CHANGES IN THE VALUE OF THE CURRENCIES OF THE HOST COUNTRY OR OTHER NATO COUNTRIES IN WHICH A CONTRACTOR MAY HAVE EXPENSES.

2. THE SPECIFIC PROCEDURE TO BE ADOPTED WILL DEPEND ON WHETHER THE CONTRACTOR IS PAID IN THE SEVERAL CURRENCIES IN WHICH HE HAS EXPENSES, OR ENTIRELY IN HOST COUNTRY CURRENCY.

(A) THE CONTRACTOR MAY BE PAID IN THE SEVERAL CURRENCIES IN WHICH HE HAS EXPENSES.

IN THIS CASE, THE HOST COUNTRY WILL TRANSFER INTO THOSE OTHER CURRENCIES AS STIPULATED SPECIFIED PARTS OF THE CONTRACT PRICE AS REQUIRED TO MEET THE EXPENSES OF THE CONTRACTOR AND HIS SUB-CONTRACTORS IN CURRENCIES OF PARTICIPATING COUNTRIES OTHER THAN THE HOST COUNTRY AT THE RATE OF EXCHANGE APPLICABLE ON THE DAY PRIOR TO BID CLOSING. THE CONTRACTOR WILL BE REQUIRED TO DESIGNATE, AT THE TIME OF THE AWARD, THE CURRENCIES AND THE AMOUNTS THEREOF IN WHICH HE AND HIS SUB-CONTRACTORS WILL HAVE EXPENSES, THEREBY FIXING IN THE CONTRACT THE AMOUNT OF THE HOST COUNTRY CURRENCY THAT WOULD BE CONVERTIBLE TO SUCH OTHER CURRENCIES. THE RATES OF EXCHANGE OF THESE OTHER CURRENCIES EXPRESSED IN HOST COUNTRY CURRENCY WILL BE THE AVERAGE OF THE OFFICIAL BUYING AND SELLING EXCHANGE RATES QUOTED AT THE CLOSE OF BUSINESS OF THE WORKING DAY PREVIOUS TO THE DAY OF BID CLOSING BY THE SPECIFIED SOURCE IN THE HOST COUNTRY (SEE ANNEX III).

(B) THE CONTRACTOR IS PAID ENTIRELY IN HOST COUNTRY CURRENCY.

IN THIS CASE, THE CONTRACTOR WILL BE REQUIRED TO SPECIFY, AT THE TIME OF THE CONTRACT AWARD, THE EXTENT TO WHICH HE AND/OR HIS SUB-CONTRACTORS WILL HAVE EXPENSES IN CURRENCIES OTHER THAN THAT OF THE HOST COUNTRY. THE HOST
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COUNTRY WILL RECORD IN THE CONTRACT THE RATE OF EXCHANGE OF THESE CURRENCIES IN RELATION TO ITS OWN CURRENCY, TAKING THE AVERAGE OF THE OFFICIAL BUYING AND SELLING EXCHANGE RATES QUOTED AT THE CLOSE OF BUSINESS OF THE WORKING DAY PREVIOUS TO THE BID CLOSING DAY BY THE SPECIFIED SOURCE IN THE HOST COUNTRY (SEE ANNEX III). THIS WILL ESTABLISH, WITHIN THE OVERALL CONTRACT PRICE, FIXED AND VARIABLE ELEMENTS EXPRESSED IN THE CURRENCY OF THE HOST COUNTRY. AT THE TIME OF SETTLEMENT, THE HOST COUNTRY WILL APPROPRIATELY ADJUST THE VARIABLE ELEMENT TO COMPENSATE FOR FLUCTUATIONS THAT MAY HAVE OCCURRED IN THE PARITIES ESTABLISHED IN THE CONTRACT FOR THE CURRENCIES OF NATO COUNTRIES AND WITHIN ANY LIMITS SET OUT THEREIN.

END OF TEXT.

2. MISSION BELIEVES THAT ABOVE FORMULATION PROVIDES ADEQUATE
EXCHANGE RISK PROTECTION FOR BOTH NATO AND CONTRACTORS. RECOMMEND
APPROVAL.BRUCE

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<< END OF DOCUMENT >>

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